



The City of San Diego

Staff Report

DATE ISSUED: 09/23/2021

TO: City Council

FROM: Department of Information Technology

SUBJECT: Approval of CALNET Next Generation Cooperative Procurement Contracts for Data Networks and Communications Services ("DNCS"), known as "CALNET Next Generation" or "CALNET NextGen"

Primary Contact: Shawn Killpack Phone: (619) 533-3059

Secondary Contact: Jonathan Behnke Phone: (619) 533-3637

Council District(s): Citywide

OVERVIEW:

This action requests approval of an ordinance to ensure the continuity of the City's day-to-day technological operations – the circuits, routers, bridges, switches and gateways that form the backbone of the City's network. It will connect thousands of devices (desktop computers, servers and phones) to other devices and the cloud, enabling safe, secure data transfers in support of Citywide services.

The ordinance authorizes the City of San Diego ("City") to execute Cooperative Procurement Contracts between the City and AT&T Corporation, Charter Communications, Crown Castle Fiber, Granite Telecommunications, Level 3 Communications (dba CenturyLink dba LUMEN), NWN Solutions, and MCI Communications Services (dba Verizon Business Services) ("Contracts") for the Provision of Data Networks and Communication Services ("DNCS") for a cumulative amount not to exceed \$45,650,000 with each of the Contracts having an initial term that will extend through June 30, 2025, with three optional one-year extensions. These agreements are approved Cooperative Procurement Contracts based on the underlying State of California's Department of Technology Data Network and Communication Services Statewide (CALNET NextGen) contracts, as awarded by the State of California, Department of Technology.

The Contracts will provide internet connectivity and telecommunication services for the entire City workforce and all Department activities, including some incoming 911 services.

PROPOSED ACTIONS:

1. Approve the ordinance to authorize the Mayor or his designee to execute, for and on behalf of the City, CALNET Next Generation Contracts between the City of San Diego and AT&T Corporation, Charter Communications, Crown Castle Fiber, Granite Telecommunications, Level 3 Communications (dba CenturyLink dba LUMEN), Centurylink Communications, LLC (dba Centurylink dba LUMEN), NWN Solutions, and MCI Communications Services (dba Verizon Business Services) for the Provision of Data Networks and Communication Services ("DNCS") for a cumulative amount not-to-exceed \$45,650,000 with each of the Contracts having an initial term that will extend through June 30, 2025, with three optional one-year extensions pursuant to the terms and conditions contained in the original Contracts on file with the City Clerk as Document Nos. OO-_____.

2. Authorize the Chief Financial Officer to expend an amount not to exceed \$45,650,000 over the full terms of the Contracts, including any option terms, contingent upon the adoption of the Annual Appropriation Ordinance for the applicable fiscal year and contingent upon the Chief Financial Officer first furnishing one or more certificates certifying that funds necessary for expenditure are, or will be, on deposit with the City Treasurer.

STAFF RECOMMENDATION:

Approve an Ordinance authorizing the execution of Contracts between the City of San Diego ("City") and AT&T Corporation, Charter Communications, Crown Castle Fiber, Granite Telecommunications, Level 3 Communications (dba CenturyLink dba LUMEN), Centurylink Communications, LLC (dba Centurylink dba LUMEN), NWN Solutions, and MCI Communications Services (dba Verizon Business Services) for the Provision of Data Networks and Communication Services ("DNCS") for a cumulative amount not-to-exceed \$45,650,000 with each of the Contracts having an initial term that will extend through June 30, 2025, with three optional one-year extensions to provide sufficient expenditure authority for "run-the-business", service changes, and modernization needs with regards to the City's network data and telecommunication requirements.

DISCUSSION OF ITEM:

Network connectivity plays a critical role in ensuring continuity of the City's day-to-day technological operations, connecting thousands of devices (e.g. desktop computers, servers, VoIP telephones) to other City devices and the cloud, enabling safe, bidirectional data transfer in support of Citywide services. Circuits, routers, bridges, switches, and gateways form the 'backbone' of the City's network, enabling reliable and efficient connectivity between City locations.

The State of California, through its California Network and Telecommunications ("CALNET") contracts, is focused on providing access to services that meet the State's complex and critical telecommunications and network business needs. The CALNET program accomplishes this through State-level oversight, rigorous policies, and a suite of favorable, competitively bid contracts developed expressly for use by (and leveraging the combined purchasing power of) hundreds of public agencies, counties, and local municipalities throughout California.

History of Services

Prior to 2012, the City's telecommunication and network services (infrastructure and management) were provided by the San Diego Data Processing Corporation ("SDDPC"). On July 1, 2012, the City awarded a contract to Xerox State & Local Solutions, Inc. (later assumed by Atos Governmental Outsourcing Service, LLC) to provide Network Services, including telecommunication and network services ("circuits") as a pass-through expense with fixed rates.

In 2015, Atos notified the City that the pre-agreed rates for circuits were due to expire, with new market tariff rates (expected to result in a high increase in costs) soon to be imposed. The Department of Information Technology ("DoIT") benchmarked existing rates, impending tariff rates, and rates available to the City through direct procurement, as well as through the State of California's Cooperative Procurement Contract available through its CALNET program known as 'CALNET3'. DoIT concluded that the City would receive the best rates by sourcing directly via the CALNET3 contract which was in use by more than 2,400 State agencies and municipalities across the state. The move to the CALNET3 contract required a migration of services and the City's assumption of the oversight of the circuits and services from Atos. Since August 30, 2016, the City has procured these services via the Statewide CALNET3 contract, subsequently extending the agreement through December 31, 2021, with the consent of City Council via Resolutions R-311477, R-313048, and Ordinance O-21359.

Present State of Services

In late 2019, the State of California issued a replacement solicitation for the next generation of data networks and communications services. Due to the complex nature of the services, proposal evaluations, awards, negotiations, and transition of the successful contracts to operational use extended into 2021.

The CALNET NextGen Contracts under consideration are a result of those efforts and will allow migration of many of the services currently provided under the CALNET3 contract before that agreement expires.

In January 2020, as part of its due diligence process, the DoIT issued a Request for Information (RFI) for Network Circuits. The purpose of the RFI was to develop a better understanding of the service provider marketplace relating to network circuit (i.e. data network and communication) services. Through review of responses to the RFI, it was determined that utilization of the CALNET NextGen contracts would provide overall best value to the City for its data network and communication needs.

Due to the circumstances related to the pandemic, the demand for connectivity has accelerated. Increased internet bandwidth is now required for most, if not all, City locations. Many of the City's locations no longer meet the minimum requirement for internet bandwidth, negatively impacting business operations and the provision of City services. With the strong pool of service providers available through the CALNET NextGen Contracts, the City will benefit from expanded opportunities to upgrade locations throughout the City, including those where internet service delivery had not previously been feasible for lack of geographical presence.

The City's needs for data network infrastructure and services is unique in that strategic redundancy is essential. Were one provider's circuit to fail, the City's network traffic would require an immediate, alternate path to ensure little to no disruption to City operations. Maintaining an independent infrastructure with more than one internet service provider creates true redundancy for the City and makes critical resources highly available for users. By utilizing competitive cooperative contracts with multiple vendors, the City will have access to a competitive pool of network providers who have already demonstrated their experience and competitiveness via a formal solicitation process, procured in accordance with City standards.

Purchases under the cooperative will be made with the provider offering best value, in accordance with SDMC §22.3206. Services under these contracts are non-exclusive and can be month to month, allowing the flexibility to scale up or down without penalty, or to move between providers or purchase off contract, as needed, as best suits the City. This gives the City the ability to procure services from a different provider/contract if it was to find a better price and overall better value.

Services Provided:

The City procures and provides over 2,000 network data and communications services with network data connections and phone services to hundreds of City locations across thousands of network links for City services. The connections across the City include fiber and copper connections buried within City streets by commercial Internet Service Providers ("ISPs"), with street-level access panels connecting City or other commercial facilities.

Data network and communication services under the CALNET NextGen Contracts include, but are not limited to:

- Voice and telephone services and systems;
- Data network connections between City locations to support the City's corporate network;
- Internet access connections to support internet connectivity and public facing City services;
- Emergency notification systems for public safety;
- Fire and security alarm systems (e.g. City offices, facilities, pump stations, radio towers); and
- Connections to City data centers and cloud services for access to Citywide applications.

Legacy services currently accessed via CALNET3 are not available through the CALNET NextGen DNCS contracts and will be evaluated separately. Legacy services are built on network technology that is in the process of being phased out and no longer supported by service providers. Legacy services encompass a low percentage of the overall services required with many of them going through the process of being upgraded under the CALNET3 contract to modernize them and provided for increased capacity and features. For those Legacy services that cannot be upgraded or moved to CALNET NextGen, the Department of IT will pursue other contract/ procurement options.

By utilizing the State of California Department of Technology's CALNET Next Generation "CALNET NextGen" Contracts, the City will gain increased access to next generation network infrastructure at costs below market rates, enhancing the City's ability to throughput data to its satellite locations while scaling up capacity, as appropriate, to accommodate both existing and emergent needs. This will be of particular benefit to the City as bandwidth requirements grow with the expanded use of new IT systems such as cloud infrastructure. By providing accommodation for replication of vital business data between geographically diverse locations (via utilization of redundant circuits provisioned through different providers), resiliency may be bolstered, enabling the City to restore critical data and applications more quickly and efficiently in the event of a business area disaster.

The new CALNET Next Generation contract will allow the City greater access to more providers than the City used for CALNET3. This model was validated via the City's RFI. CALNET NextGen contracts allow the City to be able to select a provider(s) that can offer specific requested service(s) at the requested location for the overall best value instead of trying to procure all services from just one or two providers. The current CALNET Next Generation Contracts have an initial term that will extend through June 30, 2025, with three optional one-year extensions and will allow the City to procure services from the following providers, as best suits the City's needs:

1. AT&T;
2. Charter Communications;
3. Crown Castle Fiber;
4. Granite Telecommunications;
5. Level 3 Communications (dba CenturyLink dba LUMEN);
6. Centurylink Communications, LLC (dba Centurylink dba LUMEN);
7. NWN Solutions; and
8. MCI Communications Services (dba Verizon Business Services).

In summary, the DoIT recommends the Next Generation CALNET contracts because it offers the City the best value for obtaining data and voice services. This is based on past experiences with CALNET2 and CALNET3, the use of the State Contract by thousands of other agencies, and the due diligence the department has done through the RFI process and other research.

CITY STRATEGIC PLAN GOAL(S)/OBJECTIVE(S):

Goal #1: Provide high quality public services

Objective #1: Promote a customer focused culture that prizes accessible, consistent, and predictable delivery of services.

Goal #1: Provide high quality public services

Objective #4: Ensure equipment and technology are in place so that employees can achieve high quality public service.

FISCAL CONSIDERATIONS:

The City's average cost for known DNCS services over the last five (5) fiscal years has been approximately \$385,000 per month (inclusive of a slight downtick in FY21 due to the success of the City's Telecom Expense Management ("TEM") contract). Many of the City's locations, however, no longer meet minimum requirements for internet bandwidth. They must be upgraded to meet basic business needs as demands for reliable and effective connectivity have accelerated due to the pandemic. Increased internet bandwidth and upgraded services are now required for most, if not all, City locations.

Below is a summary overview of projected expenditure authority required to support necessary operational upgrades, provided by Contract Year.

CALNET NEXTGEN CONTRACTS EXPENDITURE AUTHORITY REQUIREMENT PROJECTIONS¹	
Base Term	
Year 1 (through 6/30/2022)	3,181,610 \$
Year 2 (7/1/2022 - 6/30/2023)	\$ 6,647,974
Year 3 (7/1/2023 - 6/30/2024)	\$ 6,830,745
Year 4 (7/1/2024 - 6/30/2025)	\$ 6,842,811
Option Years	
Year 5 (Option Year 1)	\$ 7,184,951
Year 6 (Option Year 2)	\$ 7,403,584
Year 7 (Option Year 3)	\$ 7,544,200
TOTAL*	\$ 45,650,000

*Rounded

Projections for the base term of the agreement are based on CALNET NextGen DNCS pricing and reflect plans to upgrade approximately 80-100 sites annually (year over year) to bring infrastructure up to the current City modernization standard of 100 Mbps. This projection was developed based on a detailed analysis of expenditures for existing services/inventory, and the projection of new services based the type of services, projected quantities, and anticipated time frames.

Projections for the three option years are based on CALNET NextGen DNCS pricing and reflect a new projected minimum City modernization standard of 150Mbps in 2027. The change in minimum standard from 100Mbps to 150Mbps is indicative of the smallest incremental capacity increase listed on CALNET NextGen DNCS. The need for standard capacity increases over time is reflective of historical growth in bandwidth usage caused by:

1. Increase of use of cloud-hosted services via the Internet (applications, virtual desktops, etc.);
2. Increase of bandwidth usage for virtual meetings;
3. Increased use of images, video, and audio for applications (security, learning, etc.);
4. Increased size of application and security patches (to keep systems up to date);
5. Increased data and document sizes; and
6. Increased growth in number of network devices and network traffic.

All projections include a 5% buffer to accommodate additional enhancements or modernization that may be required over the lives of the Contracts.

Funding for the remainder of FY22, which is estimated at \$3,181,610, is allocated through the non-discretionary network account via Information Technology fund 200308.

CHARTER SECTION 225 DISCLOSURE OF BUSINESS INTERESTS:

N/A; the contracts are with publicly traded companies.

ENVIRONMENTAL IMPACT:

This activity is not a "project" pursuant to CEQA Guidelines Section 15378(b)(2) as it is a continuing administrative activity of government that will not have the potential to result in direct or reasonably foreseeable indirect impacts on the environment. As such, this activity is not subject to CEQA pursuant to CEQA Guidelines Section 15060(c)(3).

¹ Projections include an estimated cost for approximately 200 sites that are currently managed by departments. Department of IT ("DoIT") intends to include these sites as part of the modernization process in the CALNET Next Gen contract.

EQUAL OPPORTUNITY CONTRACTING INFORMATION (IFAPPLICABLE):

AT&T is a Public Utility created under authority of law, and as such, is exempt from submitting Work Force Reports. Refer to San Diego Municipal Code Section 22.2703(b).

All other contracts under this action are subject to the City's Equal Employment Opportunity Outreach Program (San Diego Ordinance No. 18173, Municipal Code Sections 22.2701 through 22.2708).

These agreements are subject to the City's Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517).

PREVIOUS COUNCIL AND/OR COMMITTEE ACTIONS:

This item will be heard at the Budget and Government Efficiency meeting on September 15, 2021.

KEY STAKEHOLDERS AND COMMUNITY OUTREACH EFFORTS:

The key stakeholders associated with this item includes all City residents and businesses, and City employees.

Jonathan Behnke

Matthew Vespi

Chief Information Officer

Chief Financial Officer